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Message Text

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64
ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 STR-04 COME-00 TRSE-00 L-03

CIAE-00 INR-07 NSAE-00 INT-05 SIL-01 LAB-04 ITC-01

/040 R

DRAFTED BY EB/OT/STA:WTDIROLL:MH
APPROVED BY EB/OT/STA:JSSPIRO
STR:AWOLFF
STR:RHEIMLICH
EB/ICD/ISM:BMILLER
EA/J:DSMITH
---------- 071969
R 110134Z SEP 76
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: TOOL STEEL CLASSIFICATION PROBLEM

REF: TOKYO 13158, STATE 220691

1. SAITO (AMERICAN AFFAIRS BUREAU FOREIGN MINISTRY), ACCOMPANIED BY KONO (MITI) AND YOKOYAMA (JAPANESE EMBASSY WASHINGTON) MET WITH WOLFF (STR) AND HEIMLICH (STR) ON SEPTEMBER 8 TO DISCUSS A RESOLUTION OF THE TOOL STEEL CLASSIFICATION PROBLEM. ALSO PRESENT ON THE U.S. SIDE WERE REPRESENTATIVES FROM STATE, COMMERCE AND TREASURY (CUSTOMS SERVICE).

2. SAITO OUTLINED THE PROBLEM AS THE JAPANESE VIEW IT. HE NOTED THAT THE GOJ, FORESEEING THE POSSIBILITY THAT THE LIMITED OFFICIAL USE

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CLASSIFICATION OF BEARING STEEL MIGHT GIVE RISE TO A

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PROBLEM IN IMPLEMENTING THE CONTEMPLATED SPECIALTY STEEL ARRANGEMENT, PROPOSED THAT SUCH STEEL NOT BE INCLUDED. IN RESPONSE THE USG HAD EXPLAINED THAT, EXCEPT FOR ONE CATEGORY OF PRODUCTS (SUJ-5), BEARING STEEL WOULD NOT BE COVERED BY THE ARRANGEMENT. ACTING UNDER THE BELIEF THAT BEARING STEEL WAS NOT COVERED, JAPANESE MANUFACTURERS CONTINUED TO CONCLUDE EXPORT CONTRACTS WITH U.S. FIRMS FOR THE SUPPLY OF BEARING STEEL. IT NOW TURNS OUT THAT THE

CUSTOMS SERVICE HAS BEEN CHARGING BEARING STEEL, WHICH THE USG HAD PREVIOUSLY TOLD THE GOJ WAS EXCLUDED, TO THE JAPANESE QUOTA FOR ALLOY TOOL STEEL. THE GOJ THEREFORE REQUESTED THE USG TO TAKE ACTION TO EXCLUDE BEARING STEEL FROM THE QUOTA IN ACCORD WITH THEIR UNDERSTANDING.

3. IN RESPONSE, WOLFF STATED THAT THE USG INTENDED TO STAND BY ITS ORAL STATEMENT MADE IN THE COURSE OF THE NEGOTIATIONS THAT BEARING STEEL (EXCEPT SUJ-5) WOULD NOT BE COVERED BY THE ARRANGEMENT AND LAID OUT A THREE-STAGE APPROACH FOR A RESOLUTION OF THE PROBLEM. HE EXPLAINED THAT THE USG AND GOJ UNFORTUNATELY HAD ENTERED INTO AN AGREEMENT ON THE BASIS OF ERRONEOUS INFORMATION. THE REMEDY, TO EXCLUDE BEARING STEEL FROM THE TOOL STEEL QUOTA, WILL NECESSITATE THE USG RESORTING TO TIME CONSUMING DOMESTIC PROCEDURES. SUCH AN EXCLUSION WOULD BE A REDUCTION IN IMPORT RELIEF AND AS A RESULT THE PRESIDENT IS REQUIRED TO SEEK THE ADVICE OF THE ITC AND THE SECRETARIES OF COMMERCE AND LABOR REGARDING THE IMPACT OF SUCH ACTION ON THE SPECIALTY STEEL INDUSTRY BEFORE MODIFYING THE IMPORT CONTROL PROGRAM. SUCH ADVICE WOULD NOT, HOWEVER, BE BINDING ON THE PRESIDENT. HE COULD NOT SAY, HOWEVER, WHAT THE PRESIDENT MIGHT DECIDE BUT HE DID NOT FORESEE ANY PROBLEMS. HE INDICATED THE DOMESTIC INDUSTRY WAS NOT OPPOSED TO THE EXCLUSION AND THOUGHT BEARING STEEL USERS WOULD SUPPORT IT. HE ADDED THAT IT WOULD PROBABLY TAKE A MINIMUM PERIOD OF AT LEAST THREE MONTHS TO COMPLETE THE ITC PROCEDURES.

4. PENDING COMPLETION OF ITC PROCEDURES, WOLFF PROPOSED TECHNICAL AMENDMENT OF THE AGREEMENT IN TWO PHASES TO LIMITED OFFICIAL USE

DEAL WITH THE IMMEDIATE PROBLEM ARISING FROM THE FACT THAT SHIPMENTS OF ALLOY TOOL AND BEARING STEEL ARE IN TRANSIT AND THE QUOTA IS FILLED. THE FIRST PHASE WOULD BE TO REACH MUTUAL AGREEMENT ON WAIVING THE 60 PERCENT IMPORT SPACING PROVISION AND MAKE THE QUOTA FOR THE

WHOLE YEAR IMMEDIATELY AVAILABLE. THE SECOND WOULD BE TO REACH AGREEMENT WHICH WOULD ALLOW LARGER IMPORTS OF

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TOOL STEEL THROUGH SHIFTS FROM THE QUOTA ALLOCATIONS FOR OTHER TYPES OF SPECIALTY STEEL. SHIFTS ARE NECESSARY BECAUSE WAIVING THE 60 PERCENT PROVISION IS NOT SUFFICIENT TO TAKE CARE OF ANTICIPATED AGGREGATE SHIPMENTS OF BEARING AND ALLOY TOOL STEEL OVER THE NEXT FEW MONTHS. HE NOTED THAT DETERMINATION OF AN APPROPRIATE QUOTA FIGURE FOR TOOL STEEL REQUIRES AN INTENSIVE HISTORICAL ANALYSIS OF UNITED STATES IMPORT DATA BY THE UNITED STATES CUSTOMS SERVICE, COMMERCE AND THE ITC, WHICH WAS NOW UNDER WAY, TOGETHER WITH CONSIDERATION OF

THE INFORMATION SUPPLIED ON TRADE IN BEARING AND TOOL STEEL BY THE JAPANESE SIDE. INCREASE SHIFTS WOULD BE TEMPORARY, AND THE AMOUNTS OF SHIFT USED WOULD BE RESTORED AFTER A SATISFACTORY RESOLUTION OF THE EXEMPTION PROBLEM, TAKING INTO ACCOUNT ADJUSTMENTS IN THE TOOL STEEL QUOTA.

5. IN RESPONSE TO JAPANESE EXPRESSIONS OF CONCERN REGARDING INTERNAL POLITICAL PROBLEMS (CABINET APPROVAL) THAT WOULD BE CREATED FOR THEIR SIDE BY AMENDMENT OF THE AGREEMENT, WOLFF STATED THAT THE PRESENT USG TARIFF CLASSIFICATION COULD NOT BE CHANGED AND THE USG SAW NO WAY OF RESOLVING THE PROBLEM TEMPORARILY SHORT OF MODIFYING THE AGREEMENT. HE SAID THE 60 PERCENT PROVISION COULD BE WAIVED BY AN EXCHANGE OF LETTERS AND, IF QUICK AGREEMENT WERE REACHED, A NOTICE TO THAT EFFECT WOULD BE PUBLISHED IN THE FEDERAL REGISTER AND THE ALLOY TOOL STEEL QUOTA COULD BE REOPENED AS EARLY AS THE WEEK ENDING SEPTEMBER 18. THE TECHNICAL AMENDMENTS INVOLVING SHIFTS COULD BE DRAWN UP IN A WAY WHICH INTRODUCES MORE FLEXIBILITY IN THE ADMINISTRATION OF THE AGREEMENT AND THEREBY AVOID THE NECESSITY OF GOING THROUGH OTHER
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TECHNICAL AMENDMENT PROCEDURES IN THE FUTURE.

6. ON SEPTEMBER 9, STR EXCHANGED LETTERS WITH THE JAPANESE WAIVING THE 60 PERCENT PROVISION. AT THE SAME TIME, THE JAPANESE INDICATED THEY WILL NEED MORE TIME TO STUDY THE USG AMENDMENT PROPOSAL BEFORE THEY WILL BE IN A POSITION TO RESPOND. KISSINGER

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Draft Date: 11 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Executive Order: N/A
Errors: N/A
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